

MEMORANDUM

TO: Commissioners Hardy, Golc, Landis, Server and Ziegner

FROM: E. Curtis Gassert, Assistant Director, Water/Sewer Division

DATE: March 19, 2008

RE: Utility Articles for Next Conference

The following Final Articles "A", "G", "I", and Preliminary Articles "A" are submitted to each of you to acquaint you with the tariffs eligible for action or acceptance on or after March 26, 2008.

ECG/ld

“A” Finals

The following miscellaneous item(s) will be eligible for final consideration at the next Commission Conference and based upon review by staff members of the Commission, I recommend approval.

1. Lawrenceburg Gas Company

The utility is proposing an optional payment method that will allow the customer to pay his/her utility bill with a credit card. The Utility is proposing to add a credit card processing fee of \$4.95 to cover the cost per transaction charged by the bank.

Cost support has been provided.

The tariff page affected by this filing is:

- Sheet No. 72, wherein Credit Card Charge was added.

2. Indiana Gas Company, Inc. (d/b/a Vectren North)

The Utility proposes to adjust the Energy Efficiency Funding Component (EEFC) and the Sales Reconciliation Component (SRC) of the Energy Efficiency Rider (EER), consistent with the Commission’s Order in Cause Nos. 42943 & 43046.

This Order provided for the adoption of an Energy Efficiency Program devoted to reducing the gas usage of Vectren North¹ customers served under the Residential and General Service rate schedules. This case included the implementation of an EER to Vectren North’s Gas Tariffs applicable to the Residential and General Service rate classes. The EER consists of two components, the EEFC and the SRC. The EEFC recovers certain costs resulting from the implementation of the Energy Efficiency programs. The SRC provides Vectren North with an opportunity to recover its fixed costs even if customer usage declines, allowing the utility to encourage conservation.

The Utility’s current volumetric rate design recovers costs based on customer usage volumes, which means as volumes decrease, so does the amount of Vectren North’s cost recovery. The SRC of the EER breaks the linkage between volumes sold and cost recovery. The SRC recovers the differences for the applicable rate schedules between Actual Margins (monthly margins prior to the EEFC and SRC adjustments for customers served at the time of the calculation) and Commission adjusted margins (monthly margins as approved in the Utility’s last general rate case, adjusted to reflect the margin impact from any change in the number of customers from the level reflected in the last rate case for the like month of the test year).

Pursuant to the Order in Cause Nos. 42943 & 43046, effective April 1st of each year, Vectren North shall establish and collect (or refund) the SRC rates required to recover the accumulated

¹ The program also applies to customers of Southern Indiana Gas & Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South”).

deferred margin differences over the subsequent 12 month period. Once established, the SRC rates remain in effect for 12 months, subject to adjustment each year for a successive 12 month period. The annual SRC update includes a reconciliation to ensure the accumulated deferred margin differences are not over or under recovered as a result of variances between estimated and actual data. The following table illustrates the EEFC and SRC adjustments:

<i>Rate Schedule</i>	<i>(A) Current Energy Efficiency Funding Component</i>	<i>(B) Current Sales Reconciliation Component</i>	<i>(A) + (B) Current Energy Efficiency Rider</i>
210	\$0.00567/therm	\$0.00155/therm	\$0.00722/therm
220/225	\$0.00567/therm	\$0.00012/therm	\$0.00579/therm
	<i>(A) Proposed Energy Efficiency Funding Component</i>	<i>(B) Proposed Sales Reconciliation Component</i>	<i>(A) + (B) Proposed Energy Efficiency Rider</i>
210	\$0.00618/therm	\$0.01705/therm	\$0.02323/therm
220/225	\$0.00618/therm	\$0.00344/therm	\$0.00962/therm

The following page of Vectren North's tariff affected by this filing is:

- Sheet No. 38, Page 2 of 2 – Appendix I – Energy Efficiency Rider.

3. Southern Indiana Gas and Electric (d/b/a Vectren South)

The Utility proposes to adjust the Energy Efficiency Funding Component (EEFC) and the Sales Reconciliation Component (SRC) of the Energy Efficiency Rider (EER), consistent with the Commission's Order in Cause Nos. 42943 & 43046.

This Order provided for the adoption of an Energy Efficiency Program devoted to reducing the gas usage of Vectren South² customers served under the Residential and General Service rate schedules. This case included the implementation of an EER to Vectren South's Gas Tariffs applicable to the Residential and General Service rate classes. The EER consists of two components, the EEFC and the SRC. The EEFC recovers certain costs resulting from the implementation of the Energy Efficiency programs. The SRC provides Vectren South with an opportunity to recover its fixed costs even if customer usage declines, allowing the utility to encourage conservation.

The Utility's current volumetric rate design recovers costs based on customer usage volumes, which means as volumes decrease, so does the amount of Vectren South's cost recovery. The SRC of the EER breaks the linkage between volumes sold and cost recovery. The SRC recovers

² The program also applies to customers of Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North").

the differences for the applicable rate schedules between Actual Margins (monthly margins prior to the EEFC and SRC adjustments for customers served at the time of the calculation) and Commission adjusted margins (monthly margins as approved in the Utility's last general rate case, adjusted to reflect the margin impact from any change in the number of customers from the level reflected in the last rate case for the like month of the test year).

Pursuant to the Order in Cause Nos. 42943 & 43046, effective April 1st of each year, Vectren South shall establish and collect (or refund) the SRC rates required to recover the accumulated deferred margin differences over the subsequent 12 month period. Once established, the SRC rates remain in effect for 12 months, subject to adjustment each year for a successive 12 month period. The annual SRC update includes a reconciliation to ensure the accumulated deferred margin differences are not over or under recovered as a result of variances between estimated and actual data. The following table illustrates the EEFC and SRC adjustments:

<i>Rate Schedule</i>	<i>(A) Current Energy Efficiency Funding Component</i>	<i>(B) Current Sales Reconciliation Component</i>	<i>(A) + (B) Current Energy Efficiency Rider</i>
110	\$0.00640 /therm	\$0.0000 /therm	\$0.00640 /therm
120/125	\$0.00640 /therm	\$0.0000 /therm	\$0.00640 /therm
	<i>(A) Proposed Energy Efficiency Funding Component</i>	<i>(B) Proposed Sales Reconciliation Component</i>	<i>(A) + (B) Proposed Energy Efficiency Rider</i>
110	\$0.00760/therm	\$0.00850/therm	\$0.01610/therm
120/125	\$0.00760/therm	\$0.00346/therm	\$0.01106/therm

The following page of Vectren South's tariff affected by this filing is:

- Sheet No. 38, Page 2 of 2 – Appendix I – Energy Efficiency Rider.

"G" Final

Revisions to the Fuel Cost Adjustment factor have been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for this filing in Commission Order No. 35687 has been met and I recommend approval.

<i>Item No.</i>	<i>Utility Name</i>	<i>Change</i>	<i>Filing Number</i>
1.	Straughn Municipal Electric	Increase	111-08-04

"I" Finals

Revisions to the tracking costs from the Indiana Municipal Power Agency members have been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 36835-S1 approved January 11, 1983, and/or Order Nos. 36835-S2 approved May 2, 1984, Order No. 36835-S3 approved December 13, 1989, have been met and I recommend approval.

Item No.	Utility Name	Rate Schedule	\$/kWh Change	\$/kWh Resultant	Filing No.
1.	Columbia City	R	0.005015	0.021628	57
		RH	0.000595	0.019945	
		GS	0.007071	0.020559	
		GS-H	0.000464	0.020859	
		M	0.003990	0.022492	
		GS-L	0.001337	0.019210	
		GS-I	0.001506	0.017424	
2.	Knightstown	All	(0.001640)	0.018484	5
3.	Lawrenceburg	City Res.	0.004098	0.018717	102
		Rural Res.	0.004098	0.018717	
		City Comm.	0.002386	0.019934	
		Rural Comm.	0.002386	0.019934	
		City Power	0.005795	0.022080	
		Primary Power	0.001444	0.016249	
4.	Richmond	R	(0.000433)	0.022595	102
		CL	(0.002329)	0.037747	
		GP, GEH, EHS	0.001046	0.013652	
		LPS & IS	(1.501802)	4.406273	/kVA
			(1.768138)	5.187695	/kW
			0.000078	0.007448	
		OL, M, N	(0.000494)	0.007124	
5.	Tipton	A	0.001545	0.014459	102
		B	0.001941	0.016159	
		C	(0.002959)	0.014053	
		D	(0.000703)	0.012158	

Please indicate your consideration and action of the preceding items on the appropriate lines provided below.

E. Curtis Gassert
Assistant of Water/Sewer Division

I approve of all items as presented above

I approve of all items as presented above except

Not participating in the following items

I, _____, Disapprove Items

No.

I, _____, Wish to Defer Items

No.

I hereby certify that the above is a true and correct copy of the action on the articles.

Brenda A. Howe
Secretary to the Commission

“A” Preliminaries

The following new miscellaneous item has been reviewed by staff members of the Commission and we recommend accepting it for filing.

1. Citizens Thermal Energy

The Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis d/b/a Citizens Thermal Energy (“Citizens”), has submitted for Commission review and approval a First Amendment to Agreement for Use of Industrial Steam Service Between Citizens Thermal Energy and National Starch and Chemical Company (“Amendment”). The Amendment would amend the existing Agreement for Use of Industrial Steam Service Between Citizens Thermal Energy and National Starch and Chemical Company (“Agreement”) and extend by one year the date by which the Agreement would expire to February 15, 2011.

Citizens and National Starch and Chemical Company (“National Starch”) entered into the Agreement on November 28, 2001. The Commission approved the Agreement on April 3, 2002, pursuant to its 30-day filing process. Upon two year’s prior notice, either party can terminate the Agreement upon the expiration of its current term, which is currently February 15, 2010.

Citizens and National Starch also are parties to the Joint Stipulation and Settlement Agreement Among Citizens Thermal Energy, the Indiana Office of Utility Consumer Counselor and the Citizens Industrial Group (the “Settlement Agreement”). Among other terms, the Settlement Agreement provides that the Agreement will be amended to extend by one year the date by which it would expire to February 15, 2011. In its final order in Cause No. 43201 issued on October 30, 2007, the Commission approved the Settlement Agreement and directed Citizens to utilize the Commission’s 30-day filing process for amending the Agreement.

In addition to the Amendment, Citizens has submitted in support of the Amendment the Agreement and the Commission’s Final Order in Cause No. 43201 issued on October 30, 2007.

The Amendment submitted for approval is entitled First Amendment to Agreement for Use of Industrial Steam Service Between Citizens Thermal Energy and National Starch and Chemical Company dated January 28, 2008, consisting of one page.

2. Indiana Michigan Power Company

The Utility has submitted for Commission review a request for approval to restore the fiscal Year 8 net merger savings reduction rider factors following the third quarter reconciliation pursuant to the Commission's April 26, 1999 Order in Cause No. 41210 relating to the merger of American Electric Power Company, Inc. and Central and South West Corporation (Order). The fiscal Year 8 required rate reductions were temporarily adjusted for the February through April 2008 billing months for the reconciliation of fiscal Year 7.

The Settlement Agreement in Cause No. 41210 specified that the annual bill reduction amounts would be allocated to rate classes based upon total revenues, excluding fuel cost adjustment, and

credited to customers' bills through the application of a per kilowatt-hour (kWh) factor specific to each rate class. The Agreement also stated that each individual year's bill reduction would apply for a twelve-month period except for an adjustment during each third quarter to reconcile actual kWh sales and projected kWh sales for the prior year.

As also described in I&M's testimony in Cause No. 41210, prior to the beginning of each fiscal year following consummation of the merger, I&M will make a 30-day filing to establish the net merger savings reduction rider factors to effect that fiscal year's customer bill reduction. Prior to the third quarter of each fiscal year (except the first fiscal year), a 30-day filing will be made to establish the adjustment to the riders, as required by the Agreement, to reconcile actual kWh sales and projected kWh sales for the prior fiscal year. The adjusted rider factors will be in effect for the seventh through the ninth billing months of each fiscal year (except the first fiscal year) after which the factors will return to the unadjusted levels. The Company will also make a separate 30-day filing, at the request of Staff, prior to the conclusion of the third quarter reconciliation period, to return the factors to the current fiscal year unadjusted levels following the reconciliation period. This process will be repeated annually through the reconciliation of the eighth fiscal year. The last reconciled reduction will continue to apply in years following the end of the eighth fiscal year until I&M's Indiana base rates are changed.

Attachment B to the Utility's filing provided the calculations of the proposed AEP/CSW net merger savings reduction rider factors.

The tariff sheets affected by this filing are:

- Twenty-third Revised Sheet No. 21
- Twenty-fifth Revised Sheet No. 22
- Twenty-third Revised Sheet No. 23
- Twenty-third Revised Sheet No. 23.1
- Eighteenth Revised Sheet No. 31

E. Curtis Gassert
Assistant Director, Water/Sewer Division